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BEFORE THE ARIZONA CORPORATION COMMISSION

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2015 NOV 6 PM 2 58

IN THE MATTER OF THE APPLICATION OF
TUCSON ELECTRIC POWER COMPANY
FOR APPROVAL OF ITS 2016 RENEWABLE
ENERGY STANDARD IMPLEMENTATION
PLAN.

Docket No. E-01933A-15-0239

Arizona Corporation Commission
DOCKETED

NOV 06 2015

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RUCO'S COMMENTS

RUCO commends Tucson Electric Power for their innovative 2016 REST plan. TEP continues to develop a balanced blend of renewable resources types and ownership structures in their portfolio while taking measures to find the best deal for ratepayers. Moreover, TEP has taken a leadership position in cost effective energy storage through their recent solicitation. Learning by doing is important if Arizona wants to continue to be a frontrunner in offering affordable, reliable, and clean energy to ratepayers. RUCO's initial comments would like to touch on four core topics: Community solar, TEP owned residential solar programs, 2016 REST waiver, and the modification to the REST distributed generation definition.

1. Community Solar

RUCO supports TEP's efforts to bring low cost grid scale solar to individual residential customers through community solar. This option allows more residential customers to participate in solar -- including those that cannot not

1 procure traditional rooftop systems. RUCO believes that this concept should be
2 further explored and expanded upon. For instance, the latest community solar
3 product TEP is proposing is not designed to reach renters or apartment dwellers.

4 A third party centric program may yield innovative offerings that could meet this
5 need and provide more options for customers to receive low cost grid scale
6 solar. Therefore, RUCO suggests that a condition to approving TEP's program
7 would be that the company makes a good faith effort to work with stakeholders to
8 design a competitively procured, third party-owned community solar program of
9 equivalent size. Details regarding how participating customers' bills could be
10 credited and at what rate under this program would need to be determined. To
11 be clear, RUCO is not suggesting that participants be credited at the retail rate.
12 The program would have to be cost effective. However, third party business
13 models should have some access to the community solar market just as TEP
14 now has access to the traditional third party dominated rooftop market.

15
16 RUCO would also like the Company to explore models whereby customers can
17 make an upfront investment into a TEP organized community solar array.
18 Customer could supply the debt portion of the system costs. This could lead to
19 lower costs for all ratepayers and a better return for customers than today's
20 typical financial investments (e.g. bank CDs) for the participants. For example, a
21 customer could supply \$5,000 toward the capital cost of the system and receive
22 a 2.5% return and a fixed electric bill for 10 years. In essence, the customer
23 replaces the traditional utility debt lender.
24

1 Finally, a serious examination into community storage for customers with onsite
2 solar should be conducted. As rates modernize TEP should lead the way in
3 offering innovative pathways to customers seeking to firm their solar production
4 during peak times. When not providing the peak capacity, the storage could
5 provide other grid services to TEP such as regulation and spinning reserves.
6

7 **2. TEP owned solar residential program**

8 RUCO is encouraged by the low price of rooftop solar procured by the Company
9 as reported in the recent Emerging Technology workshop on October 27th 2015.
10 The average capital costs for these PV systems were lower than RUCO
11 anticipated. Therefore, RUCO supports further expansion of this offering at the
12 measured level the Company proposes (\$15 million of additional capital
13 investment). Of course, RUCO is not making any determination as to prudence
14 until cost recovery is sought. In particular, RUCO fully expects the Company to
15 continue its commitment to maintain "cost parity" with the near term fixed cost
16 losses associated with the current net metering framework.¹ RUCO doubts this
17 parity can be maintained if the Company's recently withdrawn net metering
18 proposal is eventually accepted.
19

20 RUCO is also encouraged by the R&D efforts by TEP on this project and others.
21 However, RUCO would like to see more of a proactive approach to link current or
22

23 ¹ Cost parity means that the average revenue requirement of a utility owned solar system under this program
24 should never exceed the average lost fixed cost (\$/kW) shifted from a comparable net metering customer to non-
participating customers.

1 prospective TEP solar customers to energy efficiency and demand management
2 program opportunities.

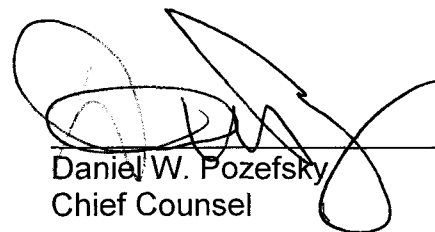
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4 **3. 2016 DG Waiver**

5 RUCO is comfortable with the temporary waiver of the REST DG requirements
6 that the Company has requested for 2016. The DG market appears to be healthy
7 and self-sustaining for the time being. That said, RUCO still encourages the
8 Commission to establish a REC exchange policy.

9
10 **4. Modification to the REST distributed generation definition**

11 At this time RUCO is persuaded by the Company's argument that there is no
12 significant difference in the economic value of solar installations located on the
13 customer's side of the meter versus the utility's side of the meter (assuming both
14 are interconnected within the Company's distribution system). Until RUCO hears
15 a compelling argument to the contrary, RUCO supports the Company's efforts to
16 pursue the most cost effective solar systems to meet the DG carve out.

17 RESPECTFULLY SUBMITTED this 6th day of November, 2015.

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20 
21 Daniel W. Pozefsky
22 Chief Counsel
23
24

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